

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Port Hope	County Huron
Fiscal Year End 3/31/06	Opinion Date 9/6/06	Date Audit Report Submitted to State 9/6/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

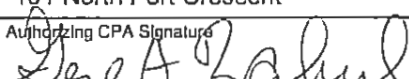
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☒ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) George A. Zahul CPA PC		Telephone Number 989-269-9966	
Street Address 101 North Port Crescent		City Bad Axe	State MI
Zip 48413			
Authorizing CPA Signature 	Printed Name George A. Zahul CPA PC	License Number 1101013362	

**Village of Port Hope  
Port Hope, MI**

**Huron County**

**FINANCIAL REPORT  
March 31, 2006**

# Village of Port Hope

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# Village of Port Hope

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**George Zahul, CPA, PC**  
**101 N Port Crescent St**  
**Bad Axe, MI 48413**  
**989-269-9966**

**Independent Auditor's Report**

To the Village Board  
Village of Port Hope  
Port Hope, MI 48468

I have audited the accompanying general purpose financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Port Hope as of and for the year ended March 31, 2006, which collectively comprise the basic financial statements of the Village of Port Hope management. My responsibility is to express opinions on these financial statements based on my audit.

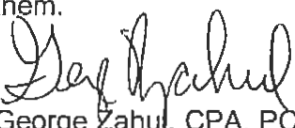
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Port Hope as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 6, 2006, on my consideration of the Village of Port Hope internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Port Hope basic financial statements. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, i express no opinion on them.

 CPA PC  
George Zahur, CPA, PC  
September 6, 2006

**George Zahul, CPA, PC**  
101 N Port Crescent St  
Bad Axe, MI 48413  
989-269-9966

**Report on Compliance and on Internal Control Over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards**

To the Village Board  
Village of Port Hope  
Port Hope, MI 48468

I have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Village of Port Hope as of and for the year ended March 31, 2006, which collectively comprise Village of Port Hope basic financial statements and have issued my report thereon dated September 6, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

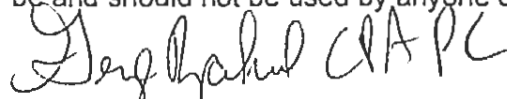
**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered the Village of Port Hope internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

**Compliance**

As part of obtaining reasonable assurance about whether Village of Port Hope financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, the State of Michigan, and the United States Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than those specified parties.



George Zahul, CPA, PC  
September 6, 2006

## **Village of Port Hope Management's Discussion and Analysis**

This section of the Villages annual financial report presents our discussion and analysis of the Villages financial performance during the fiscal year that ended on March 31, 2006. Please read it in conjunction with the village financial statements, which immediately follow this section.

### **Financial Highlights**

The 2005/06 fiscal years resulted in a Fund Balance in the General Fund of \$340,600.91. This was an expected result for the Village. The Fund Balance was slightly higher than was originally budgeted.

In total, Village revenues exceeded \$181,960.58 for fiscal year ended March 31, 2006. Spending over the same time period was \$179,337.22. In both cases that was an increase of approximately \$26,628 over fiscal 2005 for revenues and a decrease of \$49,502 for spending.

### **Overview of the Financial Statements**

This annual report consists of four parts – management's discussion and analysis (this section), the basic financial statements, required supplementary information and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Village:

The first two statements are district-wide financial statements that provide both short-term and long-term information about the Villages overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the Villages government, reporting the Villages operations in more detail than the district-wide statements.

### **Government-Wide Statements**

The Government-wide statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The statements of net assets include all of the Villages assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Villages net assets and how they have changed. Net assets – the difference between the Villages assets and liabilities – are one way to measure the Villages financial health or position.



## **Village of Port Hope Management's Discussion and Analysis**

The government-wide financial statements of the Village are divided into categories:

**Governmental Activities** – Most of the Villages basic services are included here, such as public safety, public works, and general administration. Property taxes, state-shared revenue, and charges for services provided most of the funding.

**Business-type Activities** – The Village operates a sewer system and charges fees to customers to help cover the costs of certain services it provides. The Villages sewer and water system is treated as a business-type activity.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Villages funds, focusing on its most significant or "major" funds – not the Village as a whole. Funds are accounting devices the Village uses to keep track of specific sources of funding and spending for particular purposes:

Some funds are required by State law and by bond covenants.

The Village establishes other funds to control and manage money for particular purposes.

The Village has three types of funds:

**Governmental Funds** – Most of the Villages basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Villages programs.

**Proprietary Funds** – Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.

**Fiduciary Funds** – The Village is responsible for ensuring that the assets reported in these funds are used for intended purposes. All of the Villages fiduciary activities are reported in a separate statement of Assets and Liabilities. These activities are excluded from the Villages government-wide Financial Statements, because the government cannot use these resources.

## Village of Port Hope Management's Discussion and Analysis

### Financial Analysis of the Village as a Whole

#### **Net Assets**

Village net assets increased during the fiscal 2006. Depreciation of Village assets, of \$61,334.00, as opposed to new purchases of \$2,541.99 also had an impact.

#### **Village of Port Hope**

	<u>2006</u>
Current and other Assets	\$ 1,146,836.42
Capital Assets, Less Accumulated Depreciation	<u>2,557,725.69</u>
Total Assets	\$ 4,056,653.07
Current Liabilities	5,992.87
Other Liabilities	<u>23,409.24</u>
Total Liabilities	\$ 929,402.11
<u>Net Assets:</u>	
Invested in Capital Assets net of Related Debt	\$ 696,041.00
Restricted	69,599.09
Unrestricted	1,087,963.10
Other	<u>1,273,687.77</u>
Total net Assets (deficit)	\$ 3,127,250.96

#### **Changes in Village of Port Hope Net Assets**

	<u>2006</u>
<u>Revenues</u>	
Charges for Services	\$ 185,510.41
Operating Grants	138,190.48
<u>General Revenues</u>	
Property Taxes	84,861.55
State Revenue	27,422.00
Other	<u>32,953.78</u>
Total Revenues	\$ 468,938.22
<u>Expenses</u>	
General Government	\$ 9,166.44
Public Services	134,339.84
Sanitation, Water, and Sewer	61,155.08
Roads	197,475.74
Interest and Other	75,577.95
<u>Business Type Activities</u>	
Unallocated Depreciation	61,334.00
Total Expenses	<u>\$ 539,049.05</u>
Increase (Decrease) in Net Assets	<u>\$ (70,110.83)</u>

## **Village of Port Hope Management's Discussion and Analysis**

### **Governmental Activities**

Revenues for governmental activities totaled \$468,938.22 in 2006. A total of \$84,861.55 was in the form of property tax collections. State-shared revenues continue to be of concern. While it provided \$27,422.00, we are uncertain what will happen in 2006 given the State's financial difficulties. Charges for services, primarily for sewer, water, and refuse operations, generated \$185,510.41.

### **Financial Analysis of the Villages Funds & Budgets**

The General Fund ended 2006 with a fund balance of \$340,600.91. Several factors affected operating results. Tax collections were \$84,861.55 for 2006. Additionally, other revenue was \$281,960.58 in 2006. Total revenues in the General Fund of \$281,960.58 exceeded expenditures of \$179,337.32 by \$102,623.26 and the General Fund transferred \$20,250.60 to the Special Revenue Funds leaving a increase of \$82,372.66.

The General Fund budget is amended throughout the year as deemed necessary. This is primarily done to prevent expenditures from exceeding the budget. With that in mind, the General Fund expenditures were 96 percent of budget. No major General Fund areas were significantly under or over budget.

### **Capital Assets and Debt**

The Village made capital purchases during the year of \$2,541.99.

### **Factors Bearing on the Villages Future**

At the time these financial statements were prepared and audited, the Village was aware of several areas that could have a major impact on the 2005/2006 fiscal year, and subsequent years.

Village summer 2006 taxes have close to the same millage rate as last year. Most of the money collected goes for the operating expenses for the general fund.

At this time the village was not aware of any areas that could have a major impact on the 2005/2006 fiscal year and subsequent years.

### **Contacting the Villages Financial Management**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the Villages finances and to demonstrate the Villages accountability for the money it receives. If you have questions about this report or need additional information, contact in writing the Business Office, Village of Port Hope, 4250 N. Lakeshore Road, Port Hope, MI 48468.

**Village of Port Hope**  
**Statement of Net Assets**  
**March 31, 2006**

	<u>Primary Government</u>		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Investments	\$ 944,864.08	\$ 172,813.39	\$ 1,117,677.47
Accounts Receivable	5,972.93	9,693.20	15,666.13
Sewer Installments Receivable-Current	0.00	13,318.28	13,318.28
Due From Other Governmental Units	0.00	174.54	174.54
<b>Total Current Assets</b>	<u>950,837.01</u>	<u>195,999.41</u>	<u>1,146,836.42</u>
<b>Property and Equipment</b>			
Property and Equipment	1,188,981.00	2,576,277.69	3,765,258.69
Less Accumulated Depreciation	(492,940.00)	(714,593.00)	(1,207,533.00)
<b>Net Property and Equipment</b>	<u>696,041.00</u>	<u>1,861,684.69</u>	<u>2,557,725.69</u>
<b>Other Assets</b>			
Sewer Installments Receivable	0.00	352,090.96	352,090.96
<b>Total Other Assets</b>	<u>0.00</u>	<u>352,090.96</u>	<u>352,090.96</u>
<b>Total Assets</b>	<u>1,646,878.01</u>	<u>2,409,775.08</u>	<u>4,056,653.07</u>
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
Accounts Payable	2,200.35	0.00	2,200.35
Accrued Payroll and Taxes	374.93	101.53	476.46
Due To Other Governmental Units	3,316.06	0.00	3,316.06
<b>Total Current Liabilities</b>	<u>5,891.34</u>	<u>101.53</u>	<u>5,992.87</u>
<b>Long - Term Liabilities</b>			
Deferred Revenue		365,409.24	365,409.24
Bonds Payable	0.00	558,000.00	558,000.00
<b>Total Long - Term Liabilities</b>	<u>0.00</u>	<u>923,409.24</u>	<u>923,409.24</u>
<b>Total Liabilities</b>	<u>5,891.34</u>	<u>923,510.77</u>	<u>929,402.11</u>
<b>Net Assets</b>			
Invested in capital assets net of related debt	696,041.00	0.00	696,041.00
Restricted	69,559.09	0.00	69,559.09
Unrestricted	875,386.58	212,576.52	1,087,963.10
Depr Transferred from Operations	0.00	(492,596.00)	(492,596.00)
Contributions in Aid	0.00	1,766,283.77	1,766,283.77
<b>Total Net Assets</b>	<u>\$ 1,640,986.67</u>	<u>\$ 1,486,264.29</u>	<u>\$ 3,127,250.96</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement Of Activities**  
**For the Year Ended March 31, 2006**

**Governmental Activities**

Funtions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Program Expenses	Charges for Services	Operating Grants	
Governmental Activities				
General Government	\$ 9,166.44	\$ 0.00	\$ 0.00	\$ (9,166.44)
Public Safety	39,774.42	58,078.71	138,190.48	156,494.77
Public Works	94,565.42	0.00	0.00	(94,565.42)
Sanitation	22,406.04	18,164.40	0.00	(4,241.64)
Roads	197,475.74	48,907.99	0.00	(148,567.75)
Sewer Operations	38,749.04	60,359.31	0.00	21,610.27
Interest on Bonds	34,493.24	0.00	0.00	(34,493.24)
Unallocated Depreciation	61,334.00	0.00	0.00	(61,334.00)
Miscellaneous	41,084.71	0.00	0.00	(41,084.71)
Total Governmental Activities	<u>\$ 539,049.05</u>	<u>\$ 185,510.41</u>	<u>\$ 138,190.48</u>	<u>(215,348.16)</u>
General Revenues				
Property Taxes General				84,861.55
State Revenue Sharing				27,422.00
Investment Earnings				26,189.14
Other				<u>6,764.64</u>
Total General Revenues				<u>145,237.33</u>
Change in Net Assets (Deficit)				(70,110.83)
Net Assets Beginning of Year				<u>3,197,361.79</u>
Net Assets End of Year				<u>\$ 3,127,250.96</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**March 31, 2006**

	<u>Governmental Fund</u> <u>Types</u>		<u>Proprietary</u> <u>Fund Type</u>	<u>Fiduciary</u> <u>Fund Type</u>	<u>Total</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Enterprise</u>	<u>Trust</u> <u>Fund</u>	<u>(Memorandum</u> <u>Only)</u>
<b>Assets</b>					
Cash and Investments	\$ 340,495.90	\$ 534,809.09	172,813.39	\$ 69,559.09	\$ 1,117,677.47
Accounts Receivable	5,972.93	0.00	9,693.20	0.00	15,666.13
Due from Other Funds	0.00	42,252.60	174.54	0.00	42,427.14
Sewer Installments Receivable	0.00	0.00	365,409.24	0.00	365,409.24
Land, Building, and Equipment-net	0.00	0.00	1,861,684.69	0.00	1,861,684.69
<b>Total Assets</b>	<u>\$ 346,468.83</u>	<u>\$ 577,061.69</u>	<u>\$ 2,409,775.06</u>	<u>\$ 69,559.09</u>	<u>\$ 3,402,864.67</u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 2,176.93	\$ 23.42	\$ 0.00	\$ 0.00	\$ 2,200.35
Deferred Revenue	0.00	\$ 0.00	\$ 365,409.24	\$ 0.00	\$ 365,409.24
Accrued Salaries, Fringes, Taxes	374.93	0.00	101.53	0.00	476.46
Due to Other Funds	3,316.06	681.35	0.00	41,571.25	45,568.66
Bonds Payable #1	0.00	0.00	433,000.00	0.00	433,000.00
Bonds Payable #2	0.00	0.00	125,000.00	0.00	125,000.00
<b>Total Liabilities</b>	<u>5,867.92</u>	<u>704.77</u>	<u>923,510.77</u>	<u>41,571.25</u>	<u>971,654.71</u>
<b>Fund Equity</b>					
Contributed Capital	0.00	0.00	1,273,687.77	0.00	1,273,687.77
Retained Earnings	0.00	0.00	212,576.52	0.00	212,576.52
Unreserved	340,600.91	576,356.92	0.00	27,987.84	944,945.67
<b>Total Fund Equity</b>	<u>340,600.91</u>	<u>576,356.92</u>	<u>1,486,264.29</u>	<u>27,987.84</u>	<u>2,431,209.96</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 346,468.83</u>	<u>\$ 577,061.69</u>	<u>\$ 2,409,775.06</u>	<u>\$ 69,559.09</u>	<u>\$ 3,402,864.67</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Combined Statement of Revenue, Expenditures and**  
**Change in Fund Balance - All Governmental Fund Types**  
**For the Year Ended March 31, 2006**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
<b>Revenues</b>			
Property Taxes	\$ 84,861.55	\$ 18,176.80	\$ 103,038.35
Licenses and Permits	389.49	668.80	1,058.29
State Revenue Sharing	27,422.00	30,731.19	58,153.19
Fire Department Services	0.00	57,742.18	57,742.18
Federal Grants Received	138,190.48	0.00	138,190.48
Interest	7,226.31	12,600.05	19,826.36
Miscellaneous	23,870.75	586.53	24,457.28
<b>Total Revenues</b>	<b>281,960.58</b>	<b>120,505.55</b>	<b>402,466.13</b>
<b>Expenditures</b>			
Legislative	1,620.00	0.00	1,620.00
General Government	7,546.44	0.00	7,546.44
Public Safety	12,114.71	27,659.71	39,774.42
Public Works	94,565.42	197,475.74	292,041.16
Other	63,490.75	0.00	63,490.75
Capital Outlay	0.00	2,541.99	2,541.99
<b>Total Expenditures</b>	<b>179,337.32</b>	<b>227,677.44</b>	<b>407,014.76</b>
<b>Excess of Revenues over Expenditures</b>	<b>102,623.26</b>	<b>(107,171.89)</b>	<b>(4,548.63)</b>
<b>Other Financing Sources (Uses)</b>			
Operating Transfers in	8,048.94	76,274.89	84,323.83
Operating Transfers out	(28,299.54)	(55,532.04)	(83,831.58)
<b>Total Other Financing Sources (Uses)</b>	<b>(20,250.60)</b>	<b>20,742.85</b>	<b>492.25</b>
<b>Excess of Revenues and Other Sources Over(Under)Expenditures and Other Uses</b>	<b>82,372.66</b>	<b>(86,429.04)</b>	<b>(4,056.38)</b>
<b>Fund Balance at Beginning of Year</b>	<b>258,228.25</b>	<b>662,785.96</b>	<b>921,014.21</b>
<b>Fund Balance at End of Year</b>	<b>\$ 340,600.91</b>	<b>\$ 576,356.92</b>	<b>\$ 916,957.83</b>

The accompanying notes are an integral part of the financial statements

**Village of Port Hope**  
**Proprietary Fund Type Sewer Operating Fund**  
**Statement of Revenues, Expenses and Changes in**  
**Retained Earnings Budget and Actual**  
**For the Year Ended March 31, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Operating Revenues</b>			
Sewer Charges		\$ 25,998.16	
<b>Total Operating Revenues</b>	<u>50,000.00</u>	<u>25,998.16</u>	<u>(24,001.84)</u>
<b>Operating Expenses</b>			
Operators Salary		1,532.25	
Salaries and Wages		5,181.75	
Fica		538.81	
Postage		111.00	
Chemicals		990.00	
Repairs and Maintenance-Sewer		1,087.29	
Repairs and Maintenance-Plant		1,545.30	
Repairs and Maintenance-Equip		3,507.86	
Legal and Professional		3,067.50	
Computer Service		1,048.00	
Telephone		916.70	
Vehicle Expenses		221.80	
Miscellaneous		499.27	
Depreciation		45,422.00	
Utilities		1,938.51	
Bond Fees		193.00	
<b>Total Operating Expenses</b>	<u>50,000.00</u>	<u>67,801.04</u>	<u>(17,801.04)</u>
<b>Operating Income (loss)</b>	0.00	(41,802.88)	(41,802.88)
<b>Other Income (Expense)</b>			
Sewer Installment and Hookup Income	0.00	28,854.79	28,854.79
Rent and Miscellaneous Income	0.00	5,506.36	5,506.36
Interest Income	0.00	6,178.20	6,178.20
Interest Expense	0.00	(48,336.24)	(48,336.24)
Operating Transfers Out	0.00	(492.25)	(492.25)
<b>Total Other Income (Expense)</b>	<u>0.00</u>	<u>(8,289.14)</u>	<u>(8,289.14)</u>
<b>Net Income (loss) From Operations</b>	<u>\$ 0.00</u>	(50,092.02)	<u>(50,092.02)</u>
Add: Transfer of depreciation on assets acquired with contributions and grants		<u>29,052.00</u>	
<b>Net Income (Loss)</b>		(21,040.02)	
<b>Retained Earnings Beginning of Year</b>		<u>233,616.54</u>	
<b>Retained Earnings End of Year</b>		<u>\$ 212,576.52</u>	

The accompanying notes are an integral part of the financial statements.



**Village of Port Hope**  
**Fiduciary Fund Type Cemetery Perpetual Care**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

	Actual	Budget	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Interest Income	\$ 184.58	\$ 0.00	\$ (184.58)
<b>Total Revenues</b>	<u>184.58</u>	<u>0.00</u>	<u>(184.58)</u>
<b>Expenditures</b>			
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>184.58</u>	<u>0.00</u>	<u>184.58</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(250.00)</u>	<u>0.00</u>	<u>250.00</u>
<b>Total Other Financing Sources (Uses)</b>	<u>(250.00)</u>	<u>0.00</u>	<u>(250.00)</u>
<b>Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>(65.42)</u>	<u>\$ 0.00</u>	<u>\$ (65.42)</u>
<b>Fund Balance Beginning of Year</b>	<u>28,053.26</u>		
<b>Fund Balance End of Year</b>	<u>\$ 27,987.84</u>		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Reconciliation of Fund Balances of Government Funds**  
**to Net Assets of Government Activities**  
**For the Year Ended March 31, 2006**

<b>Fund Balances Total Governmental Funds</b>	<b>\$ 2,431,209.96</b>
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Amounts reported for governmental activities in the statement of activities  
are different because

Capital assets used in governmental activities are not financial resources  
expenditures in the year incurred and are not reported in the funds

Property and Equipment	1,188,981.00
Less Accumulated Depreciation	(492,940.00)

Accrued Interest on debt is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	0.00
Accrued Interest Payable End of Year	0.00
Other	0.00
	<hr/>

<b>Net Assets of Governmental Activities</b>	<b>\$ 3,127,250.96</b>
	<hr/>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes**  
**in Fund Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended March 31, 2006**

<b>Net Change in Fund Balances Total Governmental Funds</b>	<b>\$ (25,161.82)</b>
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Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures in the year incurred and depreciation is recorded for assets in the statement of activities

Depreciation Expense	(61,334.00)
Capital Outlay	2,541.99

Accrued interest on long-term debt is recorded in the statement of activities when incurred it is not recorded in governmental funds until it is paid

Accrued Interest Payable Beginning of Year	13,843.00
Accrued Interest Payable End of Year	0.00
Other	0.00

Proceeds and repayments of principal on long-term debt are revenues and expenditures in the government funds, but not in the statement of activities

Proceeds from new Debt	0.00
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (70,110.83)</b>
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The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Proprietary Fund Type Sewer Operating Fund**  
**Statement of Cash Flows**  
**For The Year Ended March 31, 2006**

**Cash Flows From Operating Activities**

Net Income (Loss)	\$ (21,040.02)
Adjustments to reconcile Net Income (Loss) to net Cash provided by (used in) operating activities:	
Depreciation and Amortization	16,370.00
Losses (Gains) on sales of Fixed Assets	0.00
Decrease (Increase) in Operating Assets:	
Accounts Receivable	12,923.94
Other	13,339.85
Increase (Decrease) in Operating Liabilities:	
Accrued Liabilities	(26,188.34)
<b>Total Adjustments</b>	<u>16,445.45</u>

**Net Cash Provided By (Used In) Operating Activities** (4,594.57)

**Cash Flows From Investing Activities**

Capital Expenditures	<u>(19,500.00)</u>
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**Net Cash Provided By (Used In) Investing Activities** (19,500.00)

**Cash Flows From Financing Activities**

Notes Payable Repayments	<u>(22,000.00)</u>
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**Net Cash Provided By (Used In) Financing Activities** (22,000.00)

**Net Increase (Decrease) In Cash and Cash Equivalents** (46,094.57)

**Cash and Cash Equivalents Beginning of Year** 218,907.96

**Cash and Cash Equivalents End of Year** \$ 172,813.39

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Fiduciary Fund Type Cemetery Perpetual Care**  
**Statement of Cash Flows**  
**For the Year Ended March 31, 2006**

**Cash Flows From Operating Activities**

Net Income (Loss)	\$ (65.42)
Adjustments to reconcile Net Income	
(Loss) to net Cash provided by	
(used in) operating activities:	
Losses (Gains) on sales of	
Decrease (Increase) in	
Operating Assets:	
Increase (Decrease) in	
Operating Liabilities:	
<b>Total Adjustments</b>	<u>0.00</u>

<b>Net Cash Provided By (Used in) Operating Activities</b>	(65.42)
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**Cash Flows From Investing Activities**

<b>Net Cash Provided By (Used In) Investing Activities</b>	0.00
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**Cash Flows From Financing Activities**

<b>Net Cash Provided By (Used In) Financing Activities</b>	<u>0.00</u>
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<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(65.42)
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<b>Cash and Cash Equivalents Beginning of Year</b>	<u>69,624.51</u>
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<b>Cash and Cash Equivalents End of Year</b>	<u><u>\$ 69,559.09</u></u>
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The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Note 1 - Summary of Significant Accounting Policies:**

The accounting policies of the Local Governmental Unit conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Local Governmental Unit:

**A. Reporting Entity**

The Local Governmental Unit is governed by an elected council (Board). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non fiduciary activities of the primary government and its component units. For the most part, the effect of inter fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Governmental Funds**

Governmental funds are those funds through which most governmental functions typically are financed. The acquisition, use and balances of the government's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The Government reports the following major governmental fund:

The general fund is the Government's primary operating fund. It accounts for all financial resources of the Government, except those required to be accounted for in another fund.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Other Non-Major Funds**

The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The Government accounts for its major and local street activities in the special revenue funds.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter fund activity has been eliminated from the district-wide financial statements.

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Property taxes, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

Proprietary funds distinguish operating revenue and expenses from non operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with and proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current cost (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as non operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non operating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

**Bank Deposits and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

**Receivables and Payable's**

In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

**Inventories and Prepaid Items**

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Restricted Assets**

The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the Local Unit of Government's water and sewer lines.



**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Capital Assets**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment is depreciated using the straight-line method over its' estimated useful life.

**Compensated Absences (Vacation and Sick Leave)**

It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

**Long-Term Obligations**

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Comparative Data/Reclassifications**

Comparative total data for the prior year has not been presented in the fund financial statements.

**Note 2 - Stewardship, Compliance, and Accountability:**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for all Government Funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Government to have its budget in place by the beginning of its fiscal year. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits governments to amend their budgets during the year. During the year, the budget was amended in a permissible manner. There were no significant amendments during the year.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**Excess of Expenditures Over Appropriations in Budgeted Funds**

During the year, the Government incurred expenditures in certain budgeted funds which were in excess of the amounts budgeted, as shown in the statements of Actual vs Budget.

**Note 3 - Deposits and Investments:**

**Deposits**

The Government's cash accounts consist of various interest bearing checking and savings accounts. At year-end, the carrying amount of the Government's deposits was \$333,840.24 and the bank balance was \$340,097.55.

**Investments**

State statutes authorize the Government to invest in obligations of the U.S. Treasury and U.S. agencies, deposit agreements with federally insured financial institutions within the State of Michigan, high grade commercial paper, repurchased obligations of the U.S. government and U.S. agencies, banker's acceptances of U.S. banks and mutual funds comprises of the above authorized investments. As of March 31, 2006, the Government investments consisted of certificates of deposit and Money Market Funds which the carrying amount and the bank balance was \$783,837.23.

The total Government cash and investments amounted to \$1,117,677.47 as of March 31, 2006 and \$525,000.00 was covered by Federal Depository Insurance.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Note 4 - Receivables:**

Receivables as of year end for the governments individual major funds and the other non major funds in the aggregate are shown in the respective statements.

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

**Note 5 - Employee Retirement and Benefits Systems:**

The Village of Port Hope does not provide any employee retirement or benefits systems.

**Note 6 - Contingent Liabilities:**

**Contingent Liability - Unemployment Compensation Costs**

The Government has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Government employees by the Michigan unemployment fund must be reimbursed by the Government on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Government becomes liable to the State of Michigan for unemployment benefits paid.

**Note 7 - Proprietary Fund Fixed Assets:**

Additions to the utility plant are recorded at cost or, if contributed property, at their estimated fair value at the time of contribution. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. The sale or disposal of fixed assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Sewer building and lines	50 years
Buildings	15-30 years
Equipment	10-20 years
Office equipment	5 years

**Note 8 - Contributed Capital:**

Contributed capital currently exists only in the Enterprise Fund. This capital has been used along with other Village resources to purchase or construct the sewer system currently in use within the Village. In order to more accurately reflect the equity remaining in these contributions, depreciation expense on fixed assets acquired by grants, entitlements and shared revenues in closes to contributed capital rather than retained earnings.

**Village of Port Hope**  
**Notes to Financial Statements**  
**March 31, 2006**

**Note 9 - Changes in Long-Term Debt - Sewer Fund:**

The Village sewer system encompasses all of the Village of Port Hope with limited extension of services to residents of Gore Township and Rubicon Township. Financing of construction was accomplished through Series A and Series B Sewer System Revenue Bonds, authorized pursuant to Act 94, Public Acts of Michigan, 1933, as amended, issued under approval of the Department of Treasury, State of Michigan.

The following is a summary of bond transactions for the year ended March 31, 2006:

	BALANCE APRIL 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE MARCH 31, 2006
Sewer System Revenue Bonds Series A	\$ 452,000	\$ -	\$ 19,000	\$ 433,000
Sewer System Revenue Bonds Series B	<u>128,000</u>	<u>-</u>	<u>3,000</u>	<u>125,000</u>
Total	\$ 580,000	\$ -	\$ 22,000	\$ 558,000

Sewer System Revenue Bonds payable as of March 31, 2006 are comprised of the following:

\$543,000 Series A Bonds due in annual principal installments ranging from \$9,000 to \$39,000 through April 1, 2027, plus interest at the rate of 6.125%, payable semi-annually on April 1 and October 1.	\$ 433,000
\$155,000 Series B Bonds due in annual principal installments ranging from \$2,000 to \$10,000 through April 1, 2027, plus interest at the rate of 5.75%, payable semi-annually on April 1 and October 1.	<u>125,000</u>
Sewer System Revenue Bonds payable	\$ 558,000

The annual requirements to amortize the Sewer System Revenue Bonds outstanding as of March 31, 2006 including interest of \$445,508 are as follows:

2007	\$ 17,215
2008	47,287
2009	46,532
2010	46,594
2011	47,025
Thereafter	<u>798,855</u>
	\$ 1,003,508

## Required Supplemental Information

**Village of Port Hope**  
**Budgetary Comparison Schedule**  
**General Fund**  
**For the Year Ended March 31, 2006**

	<u>General Fund</u>				
			<u>Variance</u> <u>Original</u> <u>Compared to</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u> <u>Actual</u> <u>Compared to</u> <u>Final</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Increase</u> <u>(Decrease)</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>					
Taxes-Current	\$ 75,000.00	\$ 75,000.00	\$ 0.00	\$ 84,861.55	\$ 9,861.55
State Sources	21,500.00	21,500.00	0.00	27,422.00	5,922.00
Grants	100,000.00	100,000.00	0.00	138,190.48	38,190.48
Garbage Collections	20,000.00	20,000.00	0.00	18,184.40	(1,835.60)
Other	200.00	200.00	0.00	6,095.84	5,895.84
Interest	2,600.00	2,600.00	0.00	7,226.31	4,626.31
<b>Total Revenues</b>	<u>219,300.00</u>	<u>219,300.00</u>	<u>0.00</u>	<u>281,960.58</u>	<u>62,660.58</u>
<b>Expenditures</b>					
Legislative	3,000.00	3,000.00	0.00	1,620.00	1,380.00
General Government	8,000.00	8,000.00	0.00	7,546.44	453.56
Public Safety	18,000.00	18,000.00	0.00	12,114.71	5,885.29
Public Works	12,000.00	12,000.00	0.00	94,565.42	(82,565.42)
Grant Expenditures	0.00	0.00	0.00	81,487.82	(81,487.82)
Garbage	60,400.00	60,400.00	0.00	22,406.04	37,993.96
Other	20,000.00	20,000.00	0.00	41,084.71	(21,084.71)
<b>Total Expenditures</b>	<u>121,400.00</u>	<u>121,400.00</u>	<u>0.00</u>	<u>260,825.14</u>	<u>(139,425.14)</u>
<b>Excess of Revenues over Expenditures</b>	<u>97,900.00</u>	<u>97,900.00</u>	<u>0.00</u>	<u>21,135.44</u>	<u>(76,764.56)</u>
<b>Other Financing Sources (Uses)</b>					
Operating Transfers in	0.00	0.00	\$ 0.00	8,048.94	8,048.94
Operating Transfers out	0.00	0.00	\$ 0.00	(28,299.54)	(28,299.54)
<b>Total Other Financing Sources (Uses)</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(20,250.60)</u>	<u>(20,250.60)</u>
<b>Excess of Revenues and Other</b>					
<b>Over (Under) Expenditures and Other Us</b>	<u>\$ 97,900.00</u>	<u>\$ 97,900.00</u>	<u>0.00</u>	<u>884.84</u>	<u>\$ (97,015.16)</u>
<b>Fund Balance at Beginning of Year</b>				<u>258,228.25</u>	
<b>Fund Balance at End of Year</b>				<u>\$ 259,113.09</u>	

The accompanying notes are an integral part of the financial statements.

## **Additional Supplemental Information**

**Village of Port Hope**  
**General Fund**  
**Schedule of Revenues**  
**For the Year Ended March 31, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
Current Tax Levy	\$ 84,861.55		
Cable TV	1,513.45		
Garbage Fees	18,164.40		
Zoning Permits	389.49		
CDBG Grant	138,190.48		
Sales Tax	27,422.00		
Rental Income	1,275.00		
Miscellaneous	2,917.90		
Interest Income	7,226.31		
<b>Total Revenues</b>	<u>\$ 281,960.58</u>	<u>\$ 219,300.00</u>	<u>62,660.58</u>

The accompanying notes are an integral part of the financial statements.



**Village of Port Hope**  
**General Fund**  
**Schedule of Expenditures**  
**For the Year Ended March 31, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
<b>Legislative</b>			
Township Board Salary	\$ 1,620.00		
<b>Total Legislative</b>	<u>\$ 1,620.00</u>	<u>\$ 3,000.00</u>	<u>\$ 1,380.00</u>
<b>General Government</b>			
Clerk Fees	\$ 3,837.84		
Treasurer Fees	1,915.00		
Zoning Costs	1,156.10		
Travel Expenses	37.50		
Mayor Fees	600.00		
<b>Total General Government</b>	<u>\$ 7,546.44</u>	<u>\$ 8,000.00</u>	<u>453.56</u>
<b>Public Safety</b>			
Ambulance Stand by Fees	\$ 930.00		
Outside Labor - Police	9,010.61		
Maintenance Fee - Police	2,174.10		
<b>Total Public Safety</b>	<u>\$ 12,114.71</u>	<u>\$ 12,000.00</u>	<u>(114.71)</u>
<b>Public Works</b>			
Grant Project	\$ 81,487.82		
Street Light Expense	7,416.06		
Repairs and Maintenance	1,598.17		
Recreation and Parks	4,063.37		
<b>Total Public Works</b>	<u>\$ 94,565.42</u>	<u>\$ 18,000.00</u>	<u>(76,565.42)</u>
<b>Other</b>			
Taxes - Payroll	\$ 12,385.82		
Office Wages	3,508.65		
Office Supplies	1,320.56		
Printing and Publishing	1,196.70		
Professional Fees	6,915.00		
Insurance	60.00		
Dues and Publications	477.00		
Miscellaneous	175.14		
Garbage Pick Up	22,406.04		
Miscellaneous	4,928.75		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**General Fund**  
**Schedule of Expenditures**  
**For the Year Ended March 31, 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Favorable (Unfavorable)</u>
Telephone	1,452.25		
Utilities	6,145.35		
Tax Cancellations	243.00		
Outside Contractor	<u>2,276.49</u>		
<b>Total Other</b>	<u>\$ 63,490.75</u>	<u>\$ 80,400.00</u>	<u>16,909.25</u>
<b>Capital Outlay</b>			
Capital Outlay	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>Total Expenditures</b>	<u>\$ 179,337.32</u>	<u>\$ 121,400.00</u>	<u>\$ (57,937.32)</u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope  
Special Revenue Funds  
Combined Balance Sheet  
March 31, 2006**

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire Fund</u>	<u>Cemetery</u>	<u>Totals</u>
<b>Assets</b>					
Cash in Bank	\$ 146,070.54	\$ 103,600.38	\$ 284,869.19	\$ 268.98	\$ 534,809.09
Due From Other Funds	<u>681.35</u>	<u>0.00</u>	<u>0.00</u>	<u>41,571.25</u>	<u>42,252.60</u>
<b>Total Assets</b>	<u><u>\$ 146,751.89</u></u>	<u><u>\$ 103,600.38</u></u>	<u><u>\$ 284,869.19</u></u>	<u><u>\$ 41,840.23</u></u>	<u><u>\$ 577,061.69</u></u>
<b>Liabilities and Fund Equity</b>					
<b>Liabilities</b>					
Accounts Payable	0.00	23.42	0.00	0.00	23.42
Due to other Funds	<u>\$ 0.00</u>	<u>\$ 681.35</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ 681.35</u>
<b>Fund Equity</b>					
Unreserved	<u>146,751.89</u>	<u>102,895.61</u>	<u>284,869.19</u>	<u>41,840.23</u>	<u>576,356.92</u>
<b>Total Liabilities and Fund Equity</b>	<u><u>\$ 146,751.89</u></u>	<u><u>\$ 103,600.38</u></u>	<u><u>\$ 284,869.19</u></u>	<u><u>\$ 41,840.23</u></u>	<u><u>\$ 577,061.69</u></u>

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

	<u>Major Street Fund</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
State Grants	\$ 19,901.10		
Interest Income	4,159.60		
<b>Total Revenues</b>	<u>24,060.70</u>	<u>15,000.00</u>	<u>(9,060.70)</u>
<b>Expenditures</b>			
Construction - Contract Services	2,648.42		
Maintenance - Supplies	30.59		
<b>Total Expenditures</b>	<u>2,679.01</u>	<u>15,000.00</u>	<u>12,320.99</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>21,381.69</u>	<u>0.00</u>	<u>(21,381.69)</u>
<b>Other Financing Sources (Uses)</b>			
Transfer out	(47,975.35)	0.00	47,975.35
<b>Total Other Financing Sources (Uses)</b>	<u>(47,975.35)</u>	<u>0.00</u>	<u>(47,975.35)</u>
<b>Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>(26,593.66)</u>	<u>\$ 0.00</u>	<u>\$ (26,593.66)</u>
<b>Fund Balance Beginning of Year</b>	<u>173,345.55</u>		
<b>Fund Balance End of Year</b>	<u>\$ 146,751.89</u>		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

	<u>Local Street Fund</u>		Variance
	<u>Actual</u>	<u>Budget</u>	<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
Current Tax Levy	\$ 16,697.30		
Special Assessments	1,479.50		
State Grants	10,830.09		
Interest Income	<u>2,873.70</u>		
<b>Total Revenues</b>	<u>31,880.59</u>	<u>11,500.00</u>	<u>(20,380.59)</u>
<b>Expenditures</b>			
Construction - Contract Services	161,917.44		
Maintenance - Supplies	3,051.26		
Maintenance - Contract Services	29,704.03		
Miscellaneous Expenses	<u>124.00</u>		
<b>Total Expenditures</b>	<u>194,796.73</u>	<u>110,000.00</u>	<u>(84,796.73)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(162,916.14)</u>	<u>(98,500.00)</u>	<u>64,416.14</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	<u>47,975.35</u>	<u>0.00</u>	<u>(47,975.35)</u>
<b>Total Other Financing Sources (Uses)</b>	<u>47,975.35</u>	<u>0.00</u>	<u>47,975.35</u>
<b>Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>(114,940.79)</u>	<u>\$ (98,500.00)</u>	<u>\$ (16,440.79)</u>
<b>Fund Balance Beginning of Year</b>	<u>217,836.40</u>		
<b>Fund Balance End of Year</b>	<u>\$ 102,895.61</u>		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

	<u>Fire Fund</u>		
	Actual	Budget	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
Fire Fees	\$ 5,950.00		
Bulk Water Sales	6,090.00		
Miscellaneous	336.53		
Interest Income	5,566.75		
Stand By Fees	45,702.18		
<b>Total Revenues</b>	<u>63,645.46</u>	<u>45,000.00</u>	<u>18,645.46</u>
<b>Expenditures</b>			
Salary Fire Chief	1,200.00		
Supplies	4,575.17		
Dues	334.00		
Gas and Oil	1,824.08		
Water Expense	4,060.45		
Repairs and Maintenance	7,664.17		
Telephone	1,090.02		
Miscellaneous	5,085.74		
Meetings	1,826.08		
Capital Outlay	2,541.99		
<b>Total Expenditures</b>	<u>30,201.70</u>	<u>45,000.00</u>	<u>(14,798.30)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>33,443.76</u>	<u>0.00</u>	<u>33,443.76</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	28,299.54	0.00	(28,299.54)
Transfers out	(6,887.89)	0.00	6,887.89
<b>Total Other Financing Sources (Uses)</b>	<u>21,411.65</u>	<u>0.00</u>	<u>(21,411.65)</u>
<b>Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	<u>54,855.41</u>	<u>\$ 0.00</u>	<u>\$ 54,855.41</u>
<b>Fund Balance Beginning of Year</b>	<u>230,013.78</u>		
<b>Fund Balance End of Year</b>	<u><u>\$ 284,869.19</u></u>		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

	<u>Cemetery Fund</u>		
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues</b>			
Transfers From Perpetual Fund	\$ 250.00		
<b>Total Revenues</b>	<u>250.00</u>	<u>3,000.00</u>	<u>(2,750.00)</u>
<b>Expenditures</b>			
<b>Total Expenditures</b>	<u>0.00</u>	<u>3,000.00</u>	<u>(3,000.00)</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>250.00</u>	<u>0.00</u>	<u>250.00</u>
<b>Other Financing Sources (Uses)</b>			
<b>Excess of Revenues and Other Financing Sources (Uses) Over (Under) Expenditures</b>	250.00	<u>\$ 0.00</u>	<u>\$ 250.00</u>
<b>Fund Balance Beginning of Year</b>	<u>41,590.23</u>		
<b>Fund Balance End of Year</b>	<u>\$ 41,840.23</u>		

The accompanying notes are an integral part of the financial statements.

**Village of Port Hope**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Actual vs. Budget**  
**For the Year Ended March 31, 2006**

**Liquor Fund**

	<u><b>Actual</b></u>	<u><b>Budget</b></u>	<u><b>Variance Favorable (Unfavorable)</b></u>
<b>Revenues</b>			
Liquor License Fees	\$ 668.80		
<b>Total Revenues</b>	<u>668.80</u>	<u>600.00</u>	<u>68.80</u>
<b>Expenditures</b>			
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>668.80</u>	<u>600.00</u>	<u>68.80</u>
<b>Other Financing Sources (Uses)</b>			
Transfers out	<u>(668.80)</u>		
<b>Total Other Financing Sources (Uses)</b>	<u>(668.80)</u>	<u>0.00</u>	<u>(668.80)</u>
<b>Excess of Revenues and Other Financing     Sources (Uses) Over (Under) Expenditures</b>	0.00	<u>\$ 600.00</u>	<u>\$ (600.00)</u>
<b>Fund Balance Beginning of Year</b>	<u>0.00</u>		
<b>Fund Balance End of Year</b>	<u>\$ 0.00</u>		

The accompanying notes are an integral part of the financial statements.



**Village of Port Hope**  
**Schedule of Sewer System Revenue Bonds - Series A**  
**March 31, 2006**

<u>Maturity Date</u>	<u>Principal Amount Payable at Each Maturity Date</u>	<u>Interest</u>		<u>Total</u>
		<u>Rate</u>	<u>Amount</u>	
10/01/06		6.125%	13,261	13,261
04/01/07	11,000	6.125%	13,261	24,261
10/01/07		6.125%	12,924	12,924
04/01/08	11,000	6.125%	12,924	23,924
10/01/08		6.125%	12,587	12,587
04/01/09	12,000	6.125%	12,587	24,587
10/01/09		6.125%	12,189	12,189
04/01/10	13,000	6.125%	12,189	25,189
10/01/10		6.125%	11,821	11,821
04/01/11	13,000	6.125%	11,821	24,821
10/01/11		6.125%	11,423	11,423
04/01/12	14,000	6.125%	11,423	25,423
10/01/12		6.125%	10,994	10,994
04/01/13	15,000	6.125%	10,994	25,994
10/01/13		6.125%	10,535	10,535
04/01/14	16,000	6.125%	10,535	26,535
10/01/14		6.125%	10,045	10,045
04/01/15	17,000	6.125%	10,045	27,045
10/01/15		6.125%	9,524	9,524
04/01/16	18,000	6.125%	9,524	27,524
10/01/16		6.125%	8,973	8,973
04/01/17	19,000	6.125%	8,973	27,973
10/01/17		6.125%	8,391	8,391
04/01/18	20,000	6.125%	8,391	28,391
10/01/18		6.125%	7,779	7,779
04/01/19	22,000	6.125%	7,779	29,779
10/01/19		6.125%	7,105	7,105
04/01/20	23,000	6.125%	7,105	30,105
10/01/20		6.125%	6,401	6,401
04/01/21	24,000	6.125%	6,401	30,401
10/01/21		6.125%	5,666	5,666
04/01/22	26,000	6.125%	5,666	31,666
10/01/22		6.125%	4,869	4,869
04/01/23	27,000	6.125%	4,869	31,869
10/01/23		6.125%	4,043	4,043
04/01/24	29,000	6.125%	4,043	33,043
10/01/24		6.125%	3,154	3,154
04/01/25	31,000	6.125%	3,154	34,154
10/01/25		6.125%	2,205	2,205
04/01/26	33,000	6.125%	2,205	35,205
10/01/26		6.125%	1,194	1,194
04/01/27	<u>39,000</u>	6.125%	<u>1,194</u>	<u>40,194</u>
	\$ 433,000		\$ 350,166	\$ 783,166

**Village of Port Hope**  
**Schedule of Sewer System Revenue Bonds - Series B**  
**March 31, 2006**

Maturity Date	Principal Amount Payable at Each Maturity Date	Interest		Total
		Rate	Amount	
10/01/06		5.75%	3,594	3,594
04/01/07	3,000	5.75%	3,594	6,594
10/01/07		5.75%	3,508	3,508
04/01/08	3,000	5.75%	3,508	6,508
10/01/08		5.75%	3,421	3,421
04/01/09	3,000	5.75%	3,421	6,421
10/01/09		5.75%	3,335	3,335
04/01/10	3,000	5.75%	3,335	6,335
10/01/10		5.75%	3,249	3,249
04/01/11	4,000	5.75%	3,249	7,249
10/01/11		5.75%	3,134	3,134
04/01/12	4,000	5.75%	3,134	7,134
10/01/12		5.75%	3,019	3,019
04/01/13	4,000	5.75%	3,019	7,019
10/01/13		5.75%	2,904	2,904
04/01/14	4,000	5.75%	2,904	6,904
10/01/14		5.75%	2,789	2,789
04/01/15	5,000	5.75%	2,789	7,789
10/01/15		5.75%	2,645	2,645
04/01/16	6,000	5.75%	2,645	8,645
10/01/16		5.75%	2,473	2,473
04/01/17	6,000	5.75%	2,473	8,473
10/01/17		5.75%	2,300	2,300
04/01/18	6,000	5.75%	2,300	8,300
10/01/18		5.75%	2,128	2,128
04/01/19	7,000	5.75%	2,128	9,128
10/01/19		5.75%	1,926	1,926
04/01/20	7,000	5.75%	1,926	8,926
10/01/20		5.75%	1,725	1,725
04/01/21	7,000	5.75%	1,725	8,725
10/01/21		5.75%	1,524	1,524
04/01/22	8,000	5.75%	1,524	9,524
10/01/22		5.75%	1,294	1,294
04/01/23	8,000	5.75%	1,294	9,294
10/01/23		5.75%	1,064	1,064
04/01/24	9,000	5.75%	1,064	10,064
10/01/24		5.75%	805	805
04/01/25	9,000	5.75%	805	9,805
10/01/25		5.75%	546	546
04/01/26	9,000	5.75%	546	9,546
10/01/26		5.75%	288	288
04/01/27	10,000	5.75%	288	10,288
	<u>\$ 125,000</u>		<u>\$ 95,342</u>	<u>\$ 220,342</u>

**George Zahul, CPA, PC**  
101 N Port Crescent St  
Bad Axe, MI 48413

September 6, 2006

To the Village Board  
Village of Port Hope  
Port Hope, MI 48468

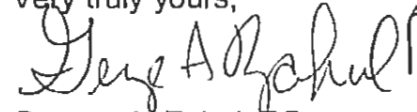
The following comments related to situations that came to my attention during the course of my recent examination of the Village of Port Hope's financial statements as of and for the year ended March 31, 2006, and are submitted for your evaluation and consideration. I would like to emphasize that, since my examination was conducted for the purpose of expressing an opinion on the previously referred to financial statements, these comments are not necessarily all inclusive.

1. The Village over-expended in the Special Revenue Funds in comparison to the budget. This excess of expenditure over budget amount is in violation of P.A. 621. The Board should avoid such violations by periodically reviewing actual expenditures and revenues as compared to budget amounts.
2. The Village should consider budgeting revenues and expenses by items rather than in totals. Although this is not required, it would make comparisons during the year easier when or if amended by the Village.
3. Journals and/a ledger should be prepared for the cementery funds.

If you would need assistance in implementing the above, I would be happy to assist you.

I want to take this opportunity to thank the Board for selecting me to do your audit, and I want to thank the Village Officials for their help and assistance during the audit.

Very truly yours,



George A. Zahul, PC  
Certified Public Accountant